

PUBLIC DISCLOSURE

NOVEMBER 27, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PENTUCKET BANK

**1 MERRIMACK STREET
HAVERHILL, MA 02184**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **PENTUCKET BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: **Pentucket Bank is rated "Outstanding."**

Pentucket Bank's overall CRA rating is based upon its performance under the five criteria contained herein. The following is a summary of the findings that were used in formulating the bank's overall CRA rating.

Distribution of Credit among Borrowers of Different Income Levels

Pentucket Bank made a considerable amount of HMDA reportable loans to individuals of low and moderate income. This is commendable given the demographics of the bank's assessment area. In addition, consideration was given to community development lending that demonstrates the bank's willingness to lend for the benefit of low and/or moderate-income individuals. Pentucket Bank's distribution of small business lending by loan amount is considered commendable.

Geographic Distribution of Loans

Pentucket Bank shows significant penetration of HMDA reportable lending in low and moderate-income census tracts in the bank's assessment area. In addition, consideration was given to community development lending that demonstrates the bank's willingness to lend for the benefit of the low and/or moderate-income census tracts within its assessment area. Pentucket Bank's efforts within the downtown Economically Targeted Area (ETA) in its small business lending are also considered commendable.

Comparison Of Credit Extended Inside And Outside Of The Assessment Area (S)

For the period reviewed, a majority of the percentage of the bank's HMDA reportable- and small business loans were originated within its assessment area.

Loan to Deposit Analysis

The bank has demonstrated an acceptable average net loan to deposit ratio of 68.7 percent with a reasonable yet improving trend over an eight-quarter period .

- Review of Complaints/Fair Lending Policies and Practices

Pentucket Bank's Fair Lending policies and practices are considered reasonable. There have been no complaints received since the prior examination.

In assessing whether an institution's CRA performance is "High Satisfactory" or "Outstanding" under the small institutions performance standards, the Division considers the degree to which an institution exceeds each performance standard for a "Satisfactory" rating, and the institution's performance in providing qualified investments and services. At management's request, Pentucket Bank's investments and services were reviewed and found to be above average, particularly given the asset size of the bank and the limited opportunities for qualified investments or community development services within the bank's assessment area.

PERFORMANCE CONTEXT

Description of Institution

Pentucket Bank is a state chartered mutual savings bank headquartered in Haverhill, Massachusetts. The bank's Board of Trustees voted to change the institutions name to Pentucket Bank from Pentucket Five Cents Savings Bank on October 10, 2000. The bank maintains two additional branches, both in Haverhill.

As of September 30, 2001, the bank had \$248,136,000 in total assets. Of these total assets, \$147,799,000 or 59.6 percent were in the form of loans (net). The following table depicts Pentucket Bank's loan portfolio composition based on its September 2001 FDIC Call Report.

Pentucket Bank's Loan Portfolio as of September 30, 2001	
Type of Loans	% of Total Loans
Construction & Land Development	0.6%
Residential Real Estate	
a. 1-4 Family Mortgages	63.6%
b. Home Equity Lines (includes second mortgages)	3.8%
Multifamily	2.4%
Commercial Loans	
a. Commercial Real Estate	21.1%
b. Commercial & Industrial Loans	7.8%
c. Agricultural Loans	0.0%
Consumer Loans	
a. Credit Cards & Related Plans	0.0%
b. Loans to Individuals	0.7%
Total Loans	100.0%

Source: FDIC Call Report, 09/30/01

As indicated, residential lending represents the majority of the bank's portfolio at 69.8 percent. The second largest segment of the loan portfolio is commercial lending at 28.9 percent.

There appear to be no legal or regulatory impediments that would effect the bank in meeting the needs of its community. The FDIC conducted the previous Community Reinvestment Act (CRA) evaluation as of February 12, 2001. That examination resulted in an "Outstanding" rating. The Division of Banks last conducted a CRA

performance evaluation on December 16, 1997. That evaluation resulted in a “High Satisfactory” rating.

Description of Assessment Area

The CRA regulation requires a financial institution to identify an assessment area in which it intends to focus its lending efforts. The bank has delineated twelve municipalities, six each in Massachusetts and New Hampshire as its assessment area. In Massachusetts, the City of Haverhill and towns of Amesbury (Boston MSA), Georgetown, Groveland, Merrimac, and West Newbury, all in Essex County are in the assessment area. In New Hampshire, the towns of Atkinson, Hampstead, Kingston, Newton, Plaistow, and Salem, all in Rockingham County are also included. All but one town (Amesbury) are part of the Lawrence-Haverhill, Massachusetts Metropolitan Statistical Area (MSA).

The assessment area had a population of 140,750 according to 1990 census data. The eleven Lawrence-Haverhill MSA municipalities comprised about 32 percent of the MSA population.

Pentucket Bank expanded its assessment area to its current form on January 1, 1999, by adding the towns of Amesbury, Georgetown, and West Newbury in Massachusetts and Newton, Hampstead, Kingston and Salem in New Hampshire. The current assessment area consists of twenty-eight census tracts. One is low-income and three are moderate-income, all located in Haverhill, along with seven middle-income census tracts. Two upper-income census tracts represent the towns of Atkinson, New Hampshire and West Newbury, Massachusetts. The remaining twenty-two geographies are considered middle-income census tracts. Amesbury and Salem each contain 4 census tracts while the remaining towns represent a single geography.

As of the 1990 census there were 51,181 households in the assessment area, 37,988 of which are considered family households. The median family income for the Lawrence MSA was \$60,800 for 2000, and \$64,100 for 2001. Amesbury median family incomes fall within the Boston MSA which were \$65,500, and \$70,000 for 2000 and 2001, respectively. For the entire assessment area, approximately 16.7 percent of families are considered to be low-income, earning less than 50 percent of the respective MSA median incomes, and 17.4 percent are moderate-income, earning between 50 percent and 80 percent of the MSA median incomes. Middle and upper-income families comprise 28.6 percent and 37.3 percent, respectively, of assessment area family households. Approximately 4.4 percent of family households are estimated to be living below the poverty level.

Approximately 65 percent of the assessment area housing units are owner-occupied. The median housing value in the assessment area, as of the 1990 census, was \$153,531. Gross median rents in the assessment area were \$598 per month as of the same time. Real estate values have appreciated substantially since the last census. According to the Federal Reserve Bank of Boston, repeat sales home prices

have risen 54 percent in Massachusetts and 31 percent in New Hampshire between 1998 and the third quarter of 2000. The Lawrence MSA showed a more modest rise of 27 percent during the same time period. In Massachusetts, median selling prices range from \$153,000 in Haverhill to \$301,000 for West Newbury as of November 2000.

In New Hampshire for year-end 1999, the median selling prices for existing homes was \$153,500 for the "Rockingham Region" and \$163,000 for the "Salem Area." These figures are up 11 percent and 8 percent, respectively, from one year earlier. The rising home prices in all portions of the assessment area make homeownership for low and moderate-income persons even more challenging. However, the bank has aligned itself with a number of groups and is involved with several programs that have assisted low and moderate-income individuals in obtaining affordable housing.

Haverhill is the largest city in the assessment area with a 1990 population of 51,418, or nearly 37 percent of the entire assessment area. Salem and Amesbury are the next most populated areas with 25,746 and 14,997 residents, respectively. The remaining nine towns are more rural in nature with populations ranging from 3,421 (West Newbury) to 7,316 (Plaistow). Estimates show that the population of the assessment area has increased significantly since the 1990 census. While final US Census Bureau figures for 2000 are not yet available, the census bureau published estimates for larger political subdivisions in July 1999. The population of the Lawrence MSA rose 10 percent between 1990 and 1999. The populations of Essex (Massachusetts) and Rockingham (New Hampshire) counties rose 5.1 percent and 12.1 percent, respectively, over the same time period. The City of Haverhill population estimates indicate a 2000 population of 56,500, or an increase of 10 percent from 1990.

Haverhill is the economic hub of the assessment area, and as such, receives much of the lending focus from the bank. Established in 1640 as Pentucket, Haverhill was incorporated as a city in 1870. Although originally settled as farmland, the city evolved into a major industrial center through the establishment of mills and shoe manufacturing, its leading industry for 180 years. The city remained a thriving industrial center until the severe depression of the 1930s. Currently, computer technology and research industries thrive within Haverhill's seven industrial parks, business districts, and newly rehabilitated central business district. Recently, two major land developers have taken steps to develop 75 acres of land in Haverhill's Ward Hill Industrial Park and on Research Drive off Route 97.

Leading employment sectors in the city include retail trade, manufacturing, and government. Haverhill's unemployment rate stood at 3.9 percent as of late 2000. This is somewhat higher than the statewide average of 3.2 percent as of the same time. The city's largest employers are Northern Essex Community College (900); Globalware (650), an electronic publishing company; and DeMoulas/Market Basket (450), a grocery store chain.

The city is designated as an Economic Target Area under the Massachusetts Economic Development Incentive Program (EDIP). A certified project, defined as one that creates permanent jobs in an area, is eligible for state investment tax credits. The city has several industrial parks within its boundaries. Existing business expansion and new business have flourished in these areas. Affordable housing continues to be a need that is becoming more acute due to the dramatically rising home prices. The Haverhill Community Development Department recently announced the creation of the Haverhill Affordable Residence Trust (HART), an IRS-designated 501(c)(3) non-profit organization. HART will attempt to acquire properties within the city limits for conversion to affordable housing. The city has implemented requirements that any multi-family housing development have at least 10 percent of the units reserved for low-and-moderate-income persons. Developments that do not reserve at least 10 percent of units for such persons can proceed but must pay a fee to the city. These funds coupled with Community Development Block Grants (CDBG) provide the resources to acquire potential properties. Local banks have been engaged to assist with the acquisition, as many of the properties are either bank owned or are subject to a mortgage loan from one of the local institutions.

Description of Aggregate Data Utilized/Lending Activity

The aggregate data for HMDA reportable lending performance purposes only, constitutes 277 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased at least one residential mortgage and/or home improvement loan within the bank's assessment area according to : PCI Services, Inc., CRA Wiz.. The total number of originations/purchases received by these lenders in Calendar Year 2000 was 4,067. The top five lenders (in descending order) within Pentucket Bank's assessment area in 2000 were: Fleet Boston NA, 279 loans/6.9 percent market share; Countrywide Home Loans, 174 loans/4.3 percent share; Ohio Savings Bank, 161 loans/4.0 percent share; SIB Mortgage Corporation, 124 loans/3.1 percent share; and First Massachusetts Bank and Sovereign 119 loans/2.9 percent share (both). Pentucket Bank ranked 9th with 80 loans and a 2.0 percent market share.

It should be noted that the aggregate data utilized throughout this Public Evaluation is only for those Massachusetts communities in Pentucket Bank's assessment area. The aggregate data for the New Hampshire communities was not available at this time.

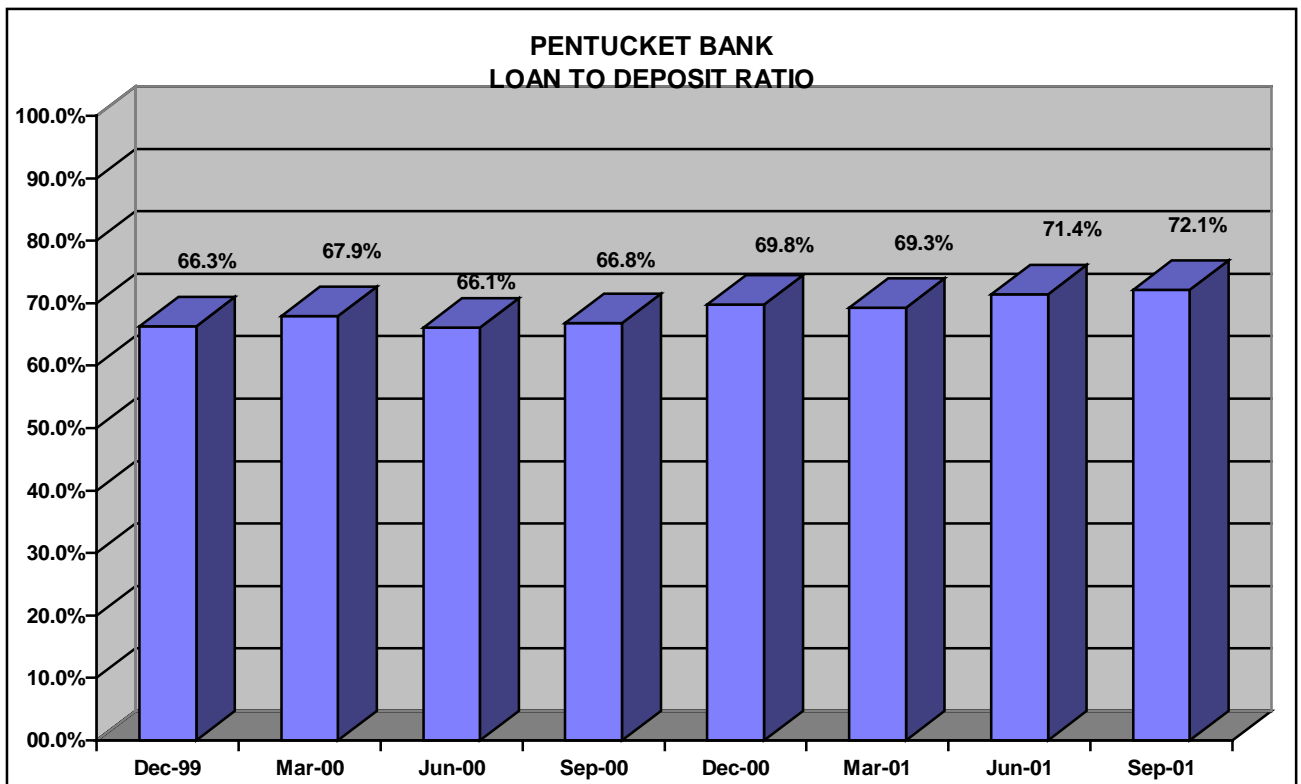
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Based upon the following, Pentucket Bank's net loan to total deposit ratio appears to be reasonable and improving and as such meets the standards for satisfactory performance under this criterion.

An analysis of Pentucket Bank's net loan to total deposit ratios was performed. The calculation incorporated eight quarters of the bank's net loans to total deposit figures as reflected in the bank's quarterly FDIC Call Reports. The quarters reviewed included the periods from December 1999 through September 2001. The bank's average net loan to deposit ratio was 68.7 percent. This ratio has fluctuated from a low of 66.1 percent in June 2000, to a high of 72.1 percent in September 2001.

The following graph illustrates Pentucket Bank's net loan to deposit trends.



Not reflected in the aforementioned analysis is the overall growth rate in net loans and total deposits. Over the period reflected in the graph, Pentucket Bank's net loan portfolio increased by 28.0 percent while deposits grew by 17.6 percent. From September 30, 2000, through September 30, 2001, the bank's loan portfolio increased by 18.7 percent, while deposits grew by 9.9 percent.

Of particular note is the growth in Pentucket Bank's loan portfolio. From September 30, 2000, to September 30, 2001, the bank's residential loan portfolio experienced the following growth:

- 1-4 Family Residential Lending 12.1 percent
- Home Equities (including Second Mortgages) 11.2 percent
- Multi-Family properties 28.6 percent
- The bank's commercial lending experienced the most substantial growth. For the same time frame the bank's total commercial loan portfolio grew by 44.9 percent.

A comparison of Pentucket Bank's loan to deposit ratio to that of area financial institutions was also performed. As of September 30, 2001, Pentucket Bank had total assets of \$248,136,000 and a net loan to deposit ratio of 72.1 percent. The net loan to deposit ratios of area institutions is reflected in the following table. Those institutions chosen for this analysis have a main office or branch location in Pentucket Bank's assessment area. The data presented below is as of September 30, 2001.

COMPARATIVE NET LOAN TO DEPOSIT RATIOS		
Institution	Total Assets \$(000)	Net Loan to Deposit Ratios (%)
Andover Bank	1,631,941	104.2
First Essex Bank	1,621,371	81.3
First Massachusetts Bank, NA	5,729,517	107.1
Georgetown Savings Bank	95,331	96.4
Haverhill Co-Operative Bank	123,928	72.9
Merrimack Savings Bank	32,730	55.6
Northmark Bank	262,702	75.9
Pentucket Bank	248,136	72.1

Based on the aforementioned analysis, Pentucket Bank has achieved a reasonable and improving loan to deposit level given its capacity to lend and the credit needs of its assessment area.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Based upon the following data, Pentucket Bank's lending activity within its assessment area is considered to be significant. Consequently, the bank is found to exceed the standards for satisfactory performance under this performance measure.

HMDA Reportable Lending

An analysis of Home Mortgage Disclosure Act (HMDA) reportable lending extended within Pentucket Bank's assessment area for the period under review was performed. For the purposes herein, the period under review constitutes calendar year 2000, as well as an interim period through September 17, 2001. HMDA-reportable loans are defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans.

The following table illustrates Pentucket Bank's level of HMDA- reportable lending both inside and outside its assessment area.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume(000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2000	98	77.8	9,628	69.4	28	22.2	4,241	30.6	126	100	13,869	100
2001	142	81.1	18,261	84.2	33	18.9	3,430	15.8	175	100	21,691	100
Total	240	79.9	27,889	78.4	61	20.3	7,671	21.6	301	100	35,560	100

Source: HMDA LAR, CRA Wiz

*Through September 17, 2001.

Overall, the majority of the number and dollar volume of HMDA reportable loans was granted in the City of Haverhill, where the bank maintains its main office and its two branch office locations. By number, the bank granted 71 loans or 56.4 percent in Haverhill in 2000 and 101 or 57.7 percent in interim 2001. The dollar volume by percentage was somewhat less with \$6,796,000 or 49.0 percent in 2000, and \$11,652,000 or 53.7 percent for the interim period.

As indicated, Pentucket Bank granted a majority of the number and dollar volume of its HMDA reportable lending to those communities within its assessment area.

As discussed in the Performance Context of this Public Evaluation, Pentucket Bank achieved a ranking of 9th in market share (out of 277 lenders) for its HMDA reportable lending in 2000. However, given the size and the resources available to Pentucket Bank and the improving trend in 2001, the level of HMDA reportable lending within its assessment area is considered strong.

Small Business Lending

An analysis of small business extended both inside and outside Pentucket Bank's assessment area for the period under review was performed. For the purposes herein, the period under review for small business lending constitutes calendar year 2000, as well as an interim period through December 11, 2001. Small business loans are defined as a loan with an original amount of \$1 million or less that are: "secured by nonfarm, nonresidential properties or; commercial and industrial loans to US addressees." This definition is consistent with those found in the FDIC Call Report instructions.

The following table illustrates Pentucket Bank's level of small business lending both inside and outside its assessment area.

Distribution of Small Business Lending Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume(000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2000	125	85.0	17,058	74.0	22	15.0	5,983	26.0	147	100.	23,041	100
2001*	114	80.3	19,426	84.0	28	19.7	3,701	16.0	142	100.	23,127	100
Total	239	82.7	36,484	79.0	50	17.3	9,684	21.0	289	100	46,168	100

Source: Bank generated reports.

*Through December 11, 2001.

As with Pentucket Bank's HMDA reportable lending, the majority of the number and dollar volume of small business loans were granted in the City of Haverhill. By number, the bank granted 78 small business loans or 53.1 percent in Haverhill in 2000 and 78 or 54.9 percent in 2001. The dollar volume by percentage was somewhat less with \$10,462,000 or 45.4 percent in 2000, and \$11,961,000 or 51.8 percent for 2001.

In conclusion, Pentucket Bank's level of small business lending within its assessment area is considered strong.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

Based upon the following analysis, Pentucket Bank's distribution of HMDA reportable loans within its assessment area to borrowers of different incomes is considered to be very strong. In addition, an analysis of the bank's small business lending within the assessment area by loan amount was performed and was also found to be strong. Therefore, the bank is determined to exceed the standard for satisfactory performance under this criterion.

HMDA Reportable Lending

An analysis of HMDA reportable lending extended within Pentucket Bank's assessment area among borrowers of various income levels was performed. Originations were categorized by the ratio of the applicant's reported income to the 2000, and 2001 estimated median family incomes of the appropriate MSA (refer to the Performance Context Section).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

The following table includes 2000 aggregate lending data as well as demographic data on the percentage of total households (per 1990 census data) in the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	% Total Households	2000 Aggregate Data %	2000		2001*		Total	
			#	%	#	%	#	%
Low	21.0	4.8	10	10.2	15	10.6	25	10.4
Moderate	15.8	17.4	23	23.5	32	22.5	55	22.9
Middle	22.3	26.9	27	27.6	39	27.5	66	27.5
Upper	40.9	33.4	30	30.6	50	35.2	80	33.3
NA	NA	17.5	8	8.1	6	4.2	14	5.9
Total	100.0	100	98	100	142	100	240	100

Source: U.S. Census, HMDA LAR, and HMDA Aggregate Data

*Through September 17, 2001.

It should be noted that those originations designated as not applicable loans are either:

- The borrowers' income was not taken into account when granting the loan;
- The borrower is an employee; or
- The loan was purchased.

As indicated in the table above, the bank's percentage of the number of loans to low-income borrowers far exceeded the aggregate in 2000, with 10.2 percent of all loans made to that category. Further, the bank's lending to moderate-income borrowers also surpassed that of the aggregate as well as the percentage of family households as of the 1990 census. The bank made 23.5 percent of all loans to moderate-income borrowers in comparison to the aggregate which made 17.4 percent. The bank's interim 2001 performance, by percentage, remained consistent with its 2000 performance.

By dollar volume, Pentucket Bank originated 3.1 percent of its HMDA reportable loans to low-income borrowers and 15.3 percent to moderate-income borrowers in 2000. This compared favorably to 2000 aggregate lending which was 2.8 percent and 13.0 percent for low and moderate-income borrowers, respectively. In 2001, these percentages improved with 4.8 percent of the dollar volume going to borrowers of low-income and 16.4 percent to borrowers of moderate-income.

Pentucket Bank's strong performance in lending to borrowers of low and moderate-income is a direct result of the products that it offers. The bank's affordable mortgage programs include: a Low/Moderate Income Homebuyer Program (LMIHB); a Senior Citizen Mortgage Program for low/moderate income seniors and a First Time Homebuyer Program (FTHB). The Senior Citizen (55 years and older) Mortgage is offered for purchase or refinance to all senior applicants meeting Massachusetts Housing Finance Agency (MHFA) income guidelines. Likewise, the applicants for the

LMHIB program must meet the same income guidelines. The programs charge no points, no application fee or closing costs except an appraisal fee, tax stamps and prepaid escrows. Additionally, the programs offer a fixed interest rate discounted by a ¼% from the bank's "one point" rate. Both low/moderate income programs allow for expanded housing/total debt to income qualifying ratios of 33 percent/ 38 percent. The 5 percent down payment requires 3 percent of the borrower's own funds while 2 percent may be a gift or grant. During 2000 and year to date September 30, 2001, the bank extended 50 loans totaling \$5,549M under the above programs.

Community Development Lending

Pentucket Bank's strong performance in lending to borrowers of low and moderate-income is further enhanced by its community development lending that directly benefits individuals of low and moderate income.

On August 30, 2000, Pentucket Bank granted a \$145,000 term loan to a nursing home for the purposes of renovations. The loan was underwritten as interest only for the first three years, then amortizing over the next twelve years. The City of Haverhill provided a \$15,000 community development grant for the project, and the Wadleigh Foundation (a charitable foundation) provided \$40,000 each in principle reduction in years one and two. On December 1, 2000, Pentucket Bank also provided a \$50,000 Line of Credit to this entity.

On September 26, 2000, Pentucket Bank granted a \$300,000 loan to a non-profit veteran's organization for the purchase and renovation of a church and related properties for the purposes of providing temporary and affordable housing for homeless veterans. The development includes twenty-five units of which sixteen are designated as very low-income units. The bank also assisted this organization in applying for, and subsequently receiving a grant from the FHLB's Affordable Housing Program (AHP) for this project.

On May 18, 2001, Pentucket Bank granted a \$1,225,000 loan for the acquisition of a 28-unit apartment complex located in Merrimac. The rents on these units range from \$500 per month to \$650 per month. These units are considered affordable housing for low and moderate-income individuals using FNMA guidelines. Under these guidelines, the maximum monthly rent that a low-income individual could afford would be \$748. For moderate-income individuals the maximum affordable monthly rent would be \$1,182.

On September 27, 2001, the bank granted its \$258,000 portion of a participation loan to finance the construction of a four unit residential affordable housing condominium in Haverhill. Additional funding came from HOME, Community Block Grant Money, a local foundation, Mass Housing Partnership, and AHP. All of the four units are to be sold to families at or below 50 percent of the Median Family Income of the Lawrence MSA.

In conclusion, Pentucket Bank's level of HMDA reportable lending to borrowers of low and moderate-income is considered significant.

Small Business Lending By Loan Size

An analysis of Pentucket Bank's small business lending extended within its assessment area by loan amount was performed. The following reflects the results of such analysis.

Distribution of Small Business Loans by Loan Size						
Loan Size (000s)	2000		2001		Total	
	#	%	#	%	#	%
< \$100	81	64.8	62	54.4	143	59.8
\$100 - \$250	30	24.0	34	29.8	64	26.8
> \$250 -	14	11.2	18	15.8	32	13.4
Total	125	100.0	114	100.0	239	100.0

Source: Bank generated reports.

* Through December 11, 2001.

The majority of the bank's small business lending was in the form of smaller loans. with a total of 59.8 percent of all small business loans in the under \$100,000 category. The results presented reflect positive results in terms of small loans, where over 86.6 percent of all loans are under \$250,000. Analysis by dollar volume is inversely proportional to these results. As expected, the majority of actual dollars (55.1 percent) were extended in the over \$250,000 category.

Pentucket Bank has been an approved Small Business Administration (SBA) lender since 1999. In 2000, the bank's second year as a SBA approved lender, 7 SBA guaranteed loans totaling \$702,000 were granted. Through September 30, 2001, the bank granted 3 SBA loans totaling \$150,000.

The bank participates in the Commonwealth of Massachusetts' Capital Access Program (CAP) loan guarantee program. This program, which is administered by the Massachusetts Business Development Corporation, assists banks in making loans to small business owners that may not have access to typical bank loans. In addition, Pentucket Bank created and initially invested \$25,000 in the Pentucket Loan Investment Fund. This fund was established to provide, where needed, assistance with the CAP enrollment fees. Through this fund, the bank granted 5 loans with a total of \$678 in fees paid in 2000, the first year for the fund, and 2 additional loans totaling \$300 in fees paid through September 30, 2001.

On September 14, 2001, Pentucket Bank granted a \$150,000 Line of Credit to a Sub-Chapter S Corporation located in Haverhill. The bank had previously granted this business mortgage financing of \$648,000 in 1999. This loan was granted in conjunction with the SBA's 504-loan program. The SBA loan was for \$500,000 and

was administrated by Massachusetts Business Certified Development Corporation in Boston.

In conclusion, Pentucket Bank's level of small business lending by loan size is considered excellent

Small Business Lending by Revenue

Although an expanded analysis was performed at this examination, Pentucket Bank (by asset size) is considered to be a small bank under the CRA regulation. As such, the bank is not required to collect and maintain data on its small business lending. Though the bank provided internally generated reports on the number and dollar volume of its small business lending, data on the revenues of the businesses was not collected. Therefore, an analysis of the bank's small business lending by revenue was not performed.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The following analysis indicates that Pentucket Bank appears to have achieved a significant penetration of its HMDA reportable lending in the low and moderate-income census tracts within its assessment area. Therefore, a rating of "Exceeds the Standards for Satisfactory Performance" is assigned.

HMDA Reportable Lending

An analysis of HMDA loans extended in the various census tracts contained within Pentucket Bank's assessment area was conducted. The following table presents the bank's performance as well as the 2000 aggregate lending data of HMDA reportable lending by percentage. In addition, the table provides demographic data on the percentage of owner-occupied housing units (per 1990 census data) in each of the census tract income categories.

Again, Pentucket Bank's assessment area contains twenty-eight census tracts. Of those tracts, 3.6 percent are low-income, 10.7 percent are moderate-income, 78.6 percent are middle-income, and 7.1 percent are upper-income.

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2000		2001		Total	
			2000	#	%	#	%	#
Low	0.8	2.9		3	3.1	2	1.4	5
Moderate	3.9	8.5		12	12.2	11	7.7	23
Middle	88.1	84.5		79	80.6	123	86.6	202
Upper	7.2	4.1		4	4.1	6	4.3	10
Total	100	100		98	100	142	100	240

Source: U.S. Census, HMDA LAR, and HMDA Aggregate Data

As indicated in the table, the bank's percentage of the number of loans in low-income census tracts somewhat exceeded the aggregate in 2000. The bank's lending in moderate-income census tracts far exceeded that of aggregate, making 12.2 percent of all loans in moderate-income tracts, versus 8.5 percent for the aggregate. In all instances, the bank's percentage of lending to the low and moderate census tracts surpassed the percentage of family households as of the 1990 census. The bank's interim 2001 performance, by percentage, decreased from its 2000 performance, however, the volume of lending in 2001 increased by 44.9 percent.

By dollar volume, Pentucket Bank originated 3.7 percent of its HMDA reportable loans in low-income census tracts and 9.1 percent in moderate-income census tracts in 2000. This compared favorably to 2000 aggregate lending which were 3.6 percent and 7.3 percent for the low and moderate-income census tracts, respectively. In 2001, these percentages declined with 0.7 percent of the dollar volume going to the low and 5.8 percent to the moderate-income tracts.

On September 19, 2000, the bank provided a \$190,000 loan to a local economic development corporation for the purposes of refinancing an existing debt at another institution and additional monies for improvements. The property consists of office condominiums located in downtown Haverhill in a low-income census tract. A local planning commission leases the property.

Pentucket Bank's level of HMDA reportable lending in the low and moderate-income census tracts within its assessment area is considered to be very strong.

Analysis of Small Business Lending by Census Tract

As with its small business lending by revenue, the bank is not required to collect and maintain data on its small business lending by census tract either. Although the bank

collects the census tract data, it is maintained by the bank's service bureau as the entire commercial loan portfolio, not just small business loans. Therefore, an analysis of the bank's small business lending by census tract was not performed.

As indicated in the Performance Context portion of this Public Evaluation, the City of Haverhill has been designated as an Economically Targeted Area (ETA). In 2000, Pentucket Bank granted 40 small business loans totaling \$7,609,032 within the ETA. Through September 30, 2001, the bank granted 12 small business loans totaling \$976,300 within the ETA.

5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

Pentucket Bank received no CRA related complaints for the period under review. The bank has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2-3-101. The institution's loan policy prohibits discrimination against all prohibited classes listed under the Equal Credit Opportunity Act (ECOA). In addition, the bank's compliance policy addresses employee training, second review, and internal testing for fair lending compliance.

As a portfolio mortgage lender, Pentucket Bank offers 1 and 3 year ARMs and 15 and 30 year fixed rate mortgage loans. The maximum loan to value (LTV) for mortgage products is 95 percent with private mortgage insurance required for LTV's over 80 percent. All fixed rate mortgage loan applications are underwritten to the Federal Home Loan Mortgage Corporation's (FHLMC's) standards in order to provide the bank with the option to sell said loans in the secondary market.

Pentucket Bank has established relationships with local and statewide organizations that deal with credit, housing, or economic development issues. The bank's mortgage lending officers have served as presenters for the City of Haverhill's First Time Homebuyer Counseling program, covering the sessions on credit/underwriting and the loan application process. The bank has the opportunity to market its Low/Moderate Income Homebuyer mortgage program through its involvement with this program.

Pentucket Bank has a "Second Review Committee." Two other officers, other than the originating officer, review and signed off on all loan declines including consumer, residential and commercial loans.

MINORITY APPLICATION FLOW

For 2000 and year to date 2001 combined, the bank received a total of 13 mortgage applications from various minority groups, representing 4.6 percent of all residential loan applications received from within the Massachusetts municipalities in the assessment area. The HMDA aggregate lenders in 2000 attracted 352 minority

applicants, representing 5.6 percent of all the residential applications received in these municipalities. In comparison, Pentucket Bank's minority applicants in 2000 represented 4.2 percent of all applicants. The table following provides further details.

MINORITY APPLICATION FLOW*								
RACE	AGGREGATE DATA 2000		BANK 2000		BANK 2001*		BANK TOTAL	
	#	%	#	%	#	%	#	%
Native American	15	0.2	0	0.0	0	0.0	0	0.0
Asian	35	0.6	1	0.8	1	0.6	2	0.7
Black	60	1.0	0	0.0	3	1.8	3	1.1
Hispanic	152	2.4	2	1.7	3	1.8	5	1.7
Joint Race	61	1.0	0	0.0	0	0.0	0	0.0
Other	29	0.4	2	1.7	1	0.6	3	1.1
Total Minority	352	5.6	5	4.2	8	4.8	13	4.6
White	3,894	62.2	107	90.7	155	94.6	262	92.9
NA	2,014	32.2	6	5.1	1	0.6	7	2.5
Total	6,260	100.0	118	100.0	164	100.0	282	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

*Through September 17, 2001.

In addition, the institution's minority application flow is compared to the racial composition of the Massachusetts municipalities. Comprising the assessment area. As of the 1990 U.S. Census, the population was 81,510 residents of which 4,283 individuals or 5.3 percent were members of a racial minority. Given the racial composition and the HMDA aggregate application data, the bank's level of attracting minority applicants is considered to be reasonable.

In conclusion, Pentucket Bank's record of implementing and developing fair lending policies and practices is considered to be satisfactory. This is based on regular training programs for all staff levels; credit products designed to meet the assessment area credit needs; regular efforts to market the institution's credit services to all segments of the assessment area; and efforts to review all denied mortgage loan applications to ensure fairness in the underwriting and loan application process.

QUALIFIED INVESTMENTS AND SERVICES

At management's request, Pentucket Bank's investments and services were reviewed.

Investments

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms and activities that revitalize or stabilize low and moderate-income geographies.

Charitable Contributions

Pentucket Bank has taken a leadership role in providing contributions to organizations that provide education and training, neighborhood revitalization, youth programs, and health and human services for individuals in need, and support business growth and development. In some instances, these contributions were substantial, multi-year commitments. For calendar year 2000, Pentucket Bank provided \$46,210 in corporate contributions, \$37,169 or 80.4 percent of which was in support of programs that promote community development, as defined under the CRA regulation. From January through November 2001, the bank provided \$61,461 in corporate contributions and commitments, \$49,969 or 81.3 percent were considered qualified.

The following describes some of the organizations that Pentucket Bank has contributed to that are considered to be qualified investments:

Organizations that provide social services, aid in emergencies, and assist families in need such as: United Way of Merrimack Valley; the Salvation Army; Veterans Northeast Outreach Center; Arc of Northern Essex County; the American Red Cross; Community Action; Haverhill Family Network; Ruth House; and Emmaus, Inc.

Organizations that provide youth, and educational programs for low and moderate-income children and adults. such as: the Haverhill Boys Club; Girl's, Inc; the International Childcare Center; Children's Friend; YMCA Campership Fund; Kids Fest; and the Northern Middlesex Community College Capital Fund Drive Initiative.

Organizations that provide community/business development such as: the Greater Haverhill Chamber of Commerce and Winning Opportunities for Women.

Finally, organizations that provide for the elderly such as: Elder Services of Merrimack Valley; Haverhill Council on Aging; and Bethany Community Services.

Pentucket Bank also contributes to the Northern Essex Community College's Scholarship Fund annually. The majority of the students who attend this college are of low and/or moderate-income, with an average age of 30.

Although not considered to be qualified under the revised CRA regulations Pentucket Bank continues to be a strong corporate contributor to numerous organizations that support area schools, libraries, the arts, as well as non-profit service organizations located within its assessment area.

In conclusion, Pentucket Bank's qualified charitable contributions reflect a strong level of responsiveness to the credit and community development needs of its assessment area.

Community Development Services

The CRA regulation defines a community development service as a service whose primary purpose is community development and is related to the provision of financial services. Pentucket Bank's officers, staff and board members lend their expertise to several organizations that address community development needs. Detailed below are the bank's qualified community development services.

Pentucket Bank participates in the **Federal Home Loan Bank's (FHLB) Affordable Housing Program (AHP)** which provides grants and subsidized loans, which finance homeownership and rental housing for low and moderate income families and individuals. Under this program, the member bank prepares an application working with the non-profit or a government agency sponsoring the particular affordable housing project. Pentucket Bank has successfully obtained AHP grants for two affordable housing projects located in the City of Haverhill. One of the projects is a 25-unit Single Room Occupancy (SRO) housing for very low-income veterans. The second project will construct 4 new owner occupied condominium units for low-income families.

Greater Haverhill Foundation (GHF) was founded by a group of local business leaders to help attract new business and assist expanding businesses in the Haverhill area. The President of the bank serves as a director of this organization.

HART (Haverhill Affordable Residence Trust): This organization was incorporated in early 2001 as a non-profit spin-off of Haverhill's Community Development Department. HART's mission is to "encourage the development of affordable housing by developing, owning and operating properties for that purpose and to work cooperatively with other non-profit housing developers and managers to assist in their housing needs." The bank's Executive Vice President serves as a board member and treasurer for HART.

Haverhill Chamber of Commerce: The bank's Executive Vice President is a board member of the Chamber and was elected in 2001 as an executive committee member. The Chamber of Commerce supports and promotes business of all sizes, particularly small business. (Note: The City of Haverhill is designated an Economic Target Area.)

Greater Haverhill Community Development Corporation: The Chairman of the bank's Board of Trustees serves as a director and treasurer of this community development corporation.

Merrimack Valley Planning Commission: The bank's Vice President for Commercial Lending is now serving as a member of this regional planning commission. An Assistant Vice President is also a member of the commission and had attended the 2000-2001 Leadership of Merrimack Valley (series of classes) presented/sponsored by North Middlesex Community College.

George Wadleigh Foundation, Inc: This charitable foundation contributes significant annual funding to a number of organization whose social programs serve individuals and families in need in the Greater Haverhill area. The bank's Chairman serves as the foundation's President and as a director. A second bank trustee serves as a board member, while a bank employee serves many hours as an administrative assistant to the foundation.

Salvation Army: Pentucket Bank supports this organization in variety of ways. The bank's community room has been made available for two consecutive years to the "Christmas Castle" which distributes food, clothing, and toys to needy children and families during the Christmas season. The "Christmas Castle" occupies the community room for an average of 6 weeks. In addition, the bank also administers a program annually that generates considerable amount of clothing and toy donations from both the bank staff and the bank customers through solicitations in each of the three offices. An Assistant Vice President of Operations serves on the Salvation Army's board of directors.

Veterans Northeast Outreach Center: The President of the bank serves as Vice President of the Board of this social service organization.

Team Coordinating Agency (TCA): This non-profit organization runs a variety of programs including group homes for troubled teens, mental health evaluations/counseling, drug and alcohol abuse counseling, and child protection and family mediation services. The bank's Assistant Vice President for Commercial Lending serves as a board member.

Ruth's House: A bank trustee serves on the board of this social service organization for homeless women.

United Way of Merrimack Valley: A bank vice president serves as chairman of this non-profit fund raising organization while another vice president serves on the allocations committee. Several bank officers also serve in different capacities in the annual fund raising drive.

Community Action, Inc of Haverhill: The Vice President of Operations serves as a Development Advisory Board Member. This is an anti-poverty agency, which offers a broad range of social programs and services to assist low and moderate-income children and families.

Haverhill YWCA: This non-profit agency's main focus is to provide child care and related services, including after school programs, and parenting education and support. These programs largely serve families of modest incomes. A Vice President serves as a board member and as treasurer for the YWCA.

Haverhill Day Care Center: The bank's Vice President for Commercial Lending serves as the president of the board for this local non-profit agency. Haverhill Day Care Center serves low-income families/children providing licensed Kindergarten and Preschool classes as well as meals and transportation.

Educational Seminars and Services

Credit and other financial education services are considered a community development service. Bank officers and employees regularly participate in educational services. These seminars are detailed below.

- **“Savings Makes Sense” School Savings Program:** The Bank offers this program for the fifth grade classes at the Bradford and Pentucket Lake Elementary Schools in Haverhill. The bank's staff serves as teachers/presenters and each year all the fifth graders take a tour of the bank's main office. The bank provides a five-dollar opening deposit as an incentive to each student to open a savings account and a matching program for additional deposits made over a specified time period of up to an additional five dollars.
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- **City of Haverhill First Time Homebuyer Counseling Program:** Pentucket Bank's mortgage lending officers have served as presenters for this program, covering the sessions on credit/underwriting and the loan application process. The bank hosted a 4-session program in 2000. In 2001, the Vice-President for residential lending served as presenter for the program.
- **“Family Literacy Program” at Silver Hill School, Haverhill:** A bank officer presented basic banking seminars for two groups of parents as part of this program. The parents in attendance were foreign born and unfamiliar with the American banking system. The Family Literacy Program is designed to provide

parents with general skills and knowledge to enable them to respond more effectively to their children's needs.

Retail Banking Services

In addition to its main office, Pentucket Bank operates three full service offices. The main office is located in downtown Haverhill, a low-income census tract. The other offices are situated in Haverhill in middle income census tracts. The bank relocated its main office to 1 Merrimack Street in January 2000. The bank's operations center now occupies the old main office at 35 Merrimack Street. The renovated first floor of this building serves as a "Community Room", which the bank offers to local organizations at no costs. Some of the organizations that have utilized this "Community Room" include, but are not limited to, the Grater Haverhill Foundation, Community Action, Inc., United Way, the YWCA, and the Salvation Army.

The bank's retail services are readily accessible to individuals of different income levels. Each of the full service offices provides extended weekday and Saturday hours. All of the offices provide drive-up teller service; the main office in addition offers walk-up teller windows. These facilities all provide extended hours beyond the bank's lobby hours. Pentucket Bank opened its first ATM at its main office location in July of 2001.

The bank participates in the Basic Banking for Massachusetts program, through which banks provide low- cost savings and checking accounts for low and moderate-income people. Pentucket Bank offers a basic checking account with no minimum balance requirement and a \$3 monthly service fee. The account calls for an initial deposit of \$10. The bank's basic savings account calls for a minimum balance of \$10 to open the account and to earn interest. There are no monthly service charges and Pentucket Bank pays a highly competitive interest rate on these accounts. The basic savings account is offered as a passbook or statement account.

Pentucket Bank has recently begun offering a "Cushion Account", which is a statement savings linked to a checking account and accessed as an overdraft protection account. In addition, the bank is currently promoting an ATM/VISA Check Card to all checking account customers. The institution is a member of NYCE shared deposit program expanding ATM deposit taking capability. Furthermore, Pentucket Bank is a member of the SUM network, which provides surcharge free access to member's customers.

The bank officially opened a limited branch office at Haverhill Crossings, an assisted living residence in November 2001. The office opens two days a week for two hours and serves the residents, visitors, and employees of the facility. The new service is particularly helpful to the elderly residents, allowing them to take care of their banking needs and to maintain their independence.

Pentucket Bank participates in the **Massachusetts Interest on Lawyers Trust Accounts (IOLTA)** Committee program and remitted a total of \$11,902 to the IOLTA program during 2000 and 2001. IOLTA utilizes the interest earned on funds held by

attorneys to support legal service agencies, which serve low-income individuals and families.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

PENTUCKET BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **NOVEMBER 27, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public.
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.